

Department of Technology Services – Administrative Transition Team

Sub-Team: **Finance**

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Project Objective Statement (Scoping Statement)

The Finance Subteam is charged by the CIO with developing rates for the services to be offered by DTS. As prescribed by HB109, these rates are to be:

- (1) “equitable”;
- (2) “based upon a zero based, full cost accounting of activities necessary to provide each service for which a fee is established”; and
- (3) set at an amount that “recovers no more or less than the full cost of each service”.

In addition, HB109 requires that rates and the supporting cost analysis be submitted to the Rate Committee defined in the bill.

No new rates or changes in existing rates will be proposed for FY2006. Rates developed by this subteam are considered interim rates for FY2007, subject to the review and approval of the Governor’s Office of Planning and Budget (GOPB) in addition to the Rate Committee. Interim rates must be established and approved before the start of FY2007 on July 1, 2006. These interim rates along with proposed changes for FY2008, if any, will be submitted to the Legislature for approval in the 2007 General Session.

Establishing rates for DTS will also affect Federal Cost Allocation Plans for the state and affected agencies. The Finance subteam must support State Finance and the affected agencies as they seek approval of revised cost allocation plans as needed. Given the lead time required to obtain this approval, interim rates will be charged to agencies before these approvals have been obtained. This represents a financial risk to the state the subteam assumes the state is willing to take.

Since the process of developing and managing rates will be an on-going activity, the subteam will approach this assignment with the intent of establishing on-going processes that will become part of the day-to-day operations of DTS. These processes could include methods for tracking expenditures, relating expenditures to services, billing, budgeting, asset tracking, reporting, etc. These processes

will be identified as team deliverables in addition to the rates.				
Task Name	Brief Description	Start Date	End Date	Comments
Rates	Establish rates for each service that reflect the cost of providing that service. Consider various approaches to rates, selecting the approach that best meets stakeholder interests.			
Billing	Develop an approach to billing that is understandable and usable to the agencies, and works well with the state's financial system (FiNet).			
Expenditures	Develop a means for tracking expenditures to relate all costs to the services provided. This will initially involve gathering cost information on which to base the interim rates, but must evolve into an on-going process to track cost recovery once rates are established. A method for forecasting future expenditures will also be required.			
Inventory/Assets	Since rates involve cost recovery for capital assets, the subteam must identify these assets, including their initial cost, useful life, etc.			
Budgets	The substantial changes initiated by HB109 will impact agency budgets as new rates are established and existing rates substantially changed. The subteam must work with agencies and GOPB to address this impact on agency budgets. Processes must be established for on-going review of this impact, and to deal with a new approach to funding of major projects through direct appropriation to DTS.			
Reporting and Oversight	Given the impact of this team's efforts, stakeholders must be involved and informed			

	throughout the process. These stakeholders include the agencies, Governor, Legislature, federal agencies and others.			
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